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FINANCING THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES

Mobilization of financial resources for UNIDO programmes

Report by the Director-General

Reviews the current situation with respect to resource mobilization for implementing integrated technical cooperation programmes and reports on progress made in the dialogue with Member States to actively sustain common resource mobilization efforts.

Introduction

1. In decision IDB.21/Dec.10, the Board, *inter alia*, requested the Director-General to submit a report suggesting ways and means of generating funds to implement technical cooperation programmes, including the revitalization of the Industrial Development Fund. Subsequently, a note by the Director-General on funds mobilization was issued to the General Conference at its eighth session (GC.8/18). In resolution GC.8/Res.1, paragraph 7, the Conference requested the Director-General to continue his dialogue with Member States to actively sustain the common resource mobilization efforts and to report on progress made.

2. The present document should be considered in conjunction with the *Annual Report 1999*, chapter III.E, which reported on the approaches pursued and results achieved in that year with respect to funds mobilization.

I. RECENT DEVELOPMENTS

3. As mentioned in the *Annual Report 1999*, the major development in that year was the effective start of funds mobilization for the integrated programmes. While Member States in general, and donors in particular, have expressed strong support for the integrated programmes, the experience of 1999 demonstrated that, in part, a different approach is needed in cooperating with donors. Similarly, cooperation with the recipient partner countries in the context of integrated programmes is very different from the traditional situation where individual projects were concerned. These normally were developed and implemented in cooperation with a single ministry or national organization and mobilizing funds was considered largely a UNIDO responsibility.

4. On the other hand, integrated programmes consist of a number of mutually supporting components, usually

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involving several ministries and other national organizations, including private sector representative organizations. Components are intended to be mutually supportive and normally include efforts aimed at improving the policy environment for industry, strengthening the support infrastructure including quality systems, assisting networking and the promotion of partnerships as well as complementary environmental measures. Promotion of integrated programmes to donors should involve and be led by the national stakeholders and highlight these strengths and anticipated synergy.

5. With respect to working with donors, it has been found that the concept of integrated programmes and the mutually supporting relation between programme components is well appreciated. Once the concept and components are well explained and certainly when operations start, donor interest in a number of countries has been very good. However, for interest to result in actual funding, extensive consultations—in part at the country level—are required. Two issues are of prime importance in these consultations: (a) the extent to which the programme is (perceived to be) "owned" by the recipient Government and other national stakeholders; and (b) the extent to which the programme and its components are coordinated with, or part of, United Nations-wide coordination mechanisms such as the United Nations Development Assistance Framework (UNDAF). Clearly, a donor would only consider funding components that are within its own priorities.

6. In response to these requirements, a number of new mechanisms aimed at strengthening the funds mobilization processes are being used. Firstly, in a number of cases the national authorities—often the Minister most directly involved—and other stakeholders including representatives of the private sector, supported by the UNIDO team leader and where available the UNIDO representative, present the programme and its components to the donor community in that country. These presentations have usually led to stimulating discussions on the programme and provided a consultation platform. Secondly, special funds mobilization missions are organized, preferably some weeks after the presentation. These special missions, involving the team leader, funds mobilization staff and government staff, have undertaken bilateral consultations with donor representatives in the country as well as representatives of multilateral funds and financing institutions. The objective of the missions is to identify subjects or programme components in which donors are interested, and to defining cooperation modalities. Thirdly, in 1999, two meetings were organized in Vienna with selected groups of United Nations Development Programme (UNDP) Resident Representatives, mainly of countries where an integrated programme has been developed, to discuss mutual priorities and cooperation options. For all programmes, close consultations with UNDP also take place in the field.

7. At UNIDO Headquarters, presentations have been made to Member States both on the integrated programme approach in general and on specific integrated programmes. Similar presentations have been organized at the headquarters of several donors. These have been found essential for proper appreciation and understanding of the approach and have led to a better understanding, and in some cases, to funding. These activities are expected to continue. Other innovative activities to strengthen donor interest and involvement include more active reporting to all participating donors, both at the field level and at Headquarters. In addition to initiatives taken with traditional donors, UNIDO has actively approached the European Commission in a number of promising ways. A UNIDO team visited the Commission to present the overall approach and identify areas of common interest. In addition, consultations at the Headquarters level focused on programmatic cooperation in respect of specific areas or Commission programmes, and presentations on individual integrated programmes were made at the field level to local Commission representatives to identify common interests and options for cooperation. The long-running European Commission/United Nations consultations on the legal and financial modalities of cooperation may be resolved in the near future, thus facilitating administrative and financial arrangements between the Commission and UNIDO.

8. With respect to the recipient country, consultations aim at mobilizing cost-sharing contributions from the recipient country. Such cost-sharing not only adds to programme resources but also strengthens ownership and commitment, demonstrates the high priority attached to the programme, and thereby attracts other contributions. National contributions can take various forms. As a minimum, the Government and other stakeholders provide the staff and facilities to ensure that national organizations can perform their tasks within the programme. In addition, however, cash contributions for the functioning of the programme and for specific components are very important. Another form of co-funding is through the use of loans in place addressing the same objectives, for instance from the World Bank, or through contributing grant aid available to the Government, for instance from UNDP. For several programmes, national contributions have already been received and others identified. These opportunities will be aggressively pursued.

9. Separately from, and in addition to, the funds mobilization activities at the level of the programmes, contributions of a programmable nature are essential. To facilitate a rapid start of activities and to ensure critical parts of the programme that do not easily find special-purpose donor contributions, it is very important that UNIDO be in a position to provide in a flexible manner some part of the total funds required. As the regular budget provides only very limited funding for technical cooperation programmes, a minimum level of

programmable contributions to UNIDO is essential. These can be in the form of contributions to the general-purpose segment of the Industrial Development Fund (IDF) as some Member States have done for many years, or targeted contributions such as the annual contribution from Denmark or the contribution announced during the 1999 General Conference by the United Kingdom of Great Britain and Northern Ireland.

II. ACTION REQUIRED OF THE BOARD

10. The Board may wish to consider adopting the following draft decision:

"The Industrial Development Board,

"(a) Takes note of the information provided by the Director-General on the mobilization of financial resources in document IDB.22/3 as well as in the *Annual Report 1999* (IDB.22/2);

"(b) Considering the importance of adequate funding for the integrated programmes developed by UNIDO, welcomes the innovative actions outlined by the Director-General;

"(c) Requests all Member States, particularly donors, to increase their voluntary contributions to UNIDO, in particular programmable contributions;

"(d) Requests beneficiary countries to share with UNIDO the responsibility for mobilizing funds for programmes in their countries and in particular to make available contributions from bilateral donor funds, including the European Commission and UNDP, and from relevant development finance available from the World Bank and other development finance institutions;

"(e) Requests the Director-General to continue and intensify his efforts to mobilize resources for the implementation of the integrated programmes."